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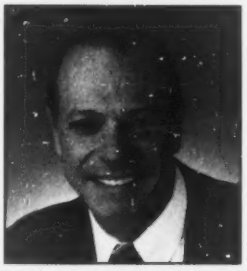

Editor's Viewpoint

The drop in diesel and heating oil prices didn't dampen the Congressional investigation of the spike in those prices several months ago. The Congressmen understand market forces can drive prices down, but rising prices must mean the oil industry—oil companies, jobbers and dealers—is up to no good. Why is that? What if we put one of these Congressmen under a "truth ray" and made him answer questions with total honesty?

Reporter: *What's the purpose of investigating fuel price increases?*

Congressman: Smoke and mirrors, my boy. Misdirection. Keeps attention off real energy issues that we haven't got the guts or brains to tackle. Makes me look like I care about my constituents, too. They get all riled up, so I get riled up with 'em and start investigatin'. They need a scapegoat and who's better than the oil industry. Public never liked it anyway. Works out real nice.

Reporter: *What about price fixing and gouging consumers?*

Congressman: Nah. Look, I been on the Hill five terms and run through this energy price thing a dozen times. Sure, there's a little chicanery here and there. But by and large, it's legit. You can't rig a game this big, with so many different players. No, it's the market, boy. Prices go up; they go down. It's the free market. Capitalism. Mom and apple pie.

Reporter: *Why not tell the people that?*

Congressman: You crazy, boy? Inform the public? Educated voters ask tough questions I don't want to answer. No siree. Think of voters as mushrooms: they grow best if you keep 'em in the dark and feed 'em a lot of manure.

Reporter: *But is that good for them? Good for the country?*

Congressman: No, but it's good for me. Remember, son: Given a choice of what's good for the people and what's good for me, I take care of me.

Reporter: *But the real problems won't go away. For instance, API reports U.S. production continues to decline, imports supply about 46% of our needs and could exceed 50% in the '90s. We're where we were in the '70s. What if there's a disruption, shortages and long gasoline lines and high prices?*

Congressman: I'm a Congressman, son. There'll always be gasoline for me. And I won't have to wait in no lines, either—unless it's good publicity.

Reporter: *What about the average guy who doesn't have that power?*

Congressman: We'll think of something. Maybe we'd slap on price and allocation controls.

Reporter: *Controls don't work. They make things worse. We found that out a long time ago. The public will be outraged and want to know what happened.*

Congressman: No problem. We'll just blame the big bad oil industry and start another investigation. See how easy it is? —*Frank M. Victoria*

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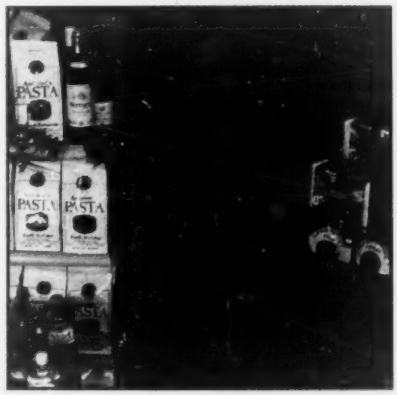

Giant Texas C-store/gasoline marketer National Convenience Stores has undertaken a stem to stern overhaul of its marketing strategies—with impressive results.

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For a number of reasons, oil companies are taking a second look at their TBA and automotive service capabilities. And some are taking positive steps to "put service back into stations."

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This month, *NPN* wraps up its special series of update reports on underground storage tanks. Included are features on how marketers are handling leak detection rules and how to select leak detection systems.

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Environmental Costs Hurt 1989 Profits

The high cost of environmental problems and related activities showed up in some 1989 earnings reports as oil companies began to call special attention to factors that are going to have an increasingly serious impact on future industry profits.

Exxon, for example, said it had taken another $500-million charge in the fourth quarter to keep up with some of the environmental costs of the Valdez/Alaska disaster. Exxon said Valdez had cost about $1.4-billion.

Chevron and Phillips said that as a result of the latest snafu in plans to put their Point Arguello, Calif., discovery on stream, they were writing off $825-million between them. The field was all set to go but California authorities unexpectedly refused to allow them to bring the crude oil ashore by boat.

Chevron said that had it not been forced to set aside $1.2-billion in 1989 for special charges, it would have had normal profits of about $1.5-billion for the year. Instead it reported only $251-million in earnings, the lowest total in years. Chevron was knocked out of the so-called "billionaires club," whose membership is restricted to those companies netting $1-billion a year in profits. Texaco also had big write-downs for environmental affairs in 1989.

One Wall Street analyst was quoted as saying that oil companies are going to see more of the same for such things as desulfurizing diesel fuel, cleaning up leaks at gasoline stations and storage facilities and making heavy investments to head off future troubles. The costs, he said, could pinch the majors and possibly drive smaller companies out of business.

There were some big winners in 1989, however. Among them were Shell, up 13%; Texaco, plus 85%; Arco, 23%; Marathon, 70%; Sun, 1300%; Amerada Hess, 283%; Kerr-McGee, 42%; Murphy, 20%, and Conoco, 38%.

UPSTREAM

(millions of dollars)

Company	4Q '89	4Q '88	% Chng.	FY '89	FY '88	% Chng.
Exxon	$758.0	$1,380.0	(43.1)	$3,810.0	$5,260.0	(27.6)
Mobil	447.0	462.0	(3.2)	1,809.0	2,087.0	(13.3)
Chevron	(883.0)	175.0	--	251.0	1,768.0	(85.8)
Amoco	319.0	375.0	(14.9)	1,610.0	2,063.0	(22.0)
Shell	264.0	212.0	24.5	1,405.0	1,239.0	13.4
Texaco	287.0	296.0	(3.0)	2,413.0	1,304.0	85.0
BP-America	NA	NA	NA	NA	NA	NA
Arco	403.0	391.0	3.1	1,953.0	1,583.0	23.4
Phillips	(225.0)	135.0	--	(219.0)	650.0	--
Conoco	108.0	71.0	52.1	538.0	391.0	37.6
Unocal	(26.0)	141.0	--	260.0	480.0	(45.8)
Marathon *	166.0	123.0	35.0	862.0	506.0	70.1
Sun	(173.0)	76.0	--	98.0	7.0	1,300.0
Coastal	NA	NA	NA	NA	NA	NA
Amerada Hess	70.8	66.3	6.8	476.3	124.3	283.2
Pennzoil	(60.0)	36.1	--	146.0	1,475.4	(90.1)
Ashland **	22.0	95.9	(77.1)	--	--	--
Kerr-McGee	37.2	33.4	11.4	156.0	110.0	41.8
Amer. Petrofina	13.5	32.9	(59.0)	119.0	132.9	(10.4)
Murphy	21.0	25.7	(18.3)	46.6	38.8	[illegible]1
Citgo	NA	NA	NA	NA	NA	NA
Dia. Shamrock	(23.8)	27.4	--	28.1	53.5	[illegible].5)

DOWNSTREAM

Exxon (total)	341	563	(39)	1,099	1,812	[illegible]
Domestic	114	258	(56)	370	672	[illegible]
Foreign	227	305	(26)	729	1,140	(68)
Mobil (total)	123	305	(60)	731	1,006	[illegible]27)
Domestic	72	220	(67)	347	553	(37)
Foreign	51	85	(40)	384	453	(15)
Chevron (total)	(271)	57	--	134	622	(79)
Domestic	(322)	160	--	(82)	571	--
Foreign	51	(103)	--	216	51	324
Texaco total)	(42)	412	--	471	1,134	(59)
Domestic	(111)	248	--	78	663	(88)
Foreign	69	164	(57.9)	393	471	(17)
Amoco (worldwide)	187	266	(28)	648	897	(28)
Shell	10	124	(93)	361	519	(27)
BP America	NA	NA	NA	NA	NA	NA
Arco	64	88	(27)	291	368	(21)
Phillips	15	112	(87)	176	312	(43)
Conoco	62	104	(40)	303	331	(9)
Marathon *	58	156	(63)	405	488	(17)
Sun	7	73	(66)	212	277	(65)

* Operating profits after taxes; ** 1st. qtr. '90, fiscal ends 9/30.

• TRENDS

Jobbers Under Pressure To Use POS Systems

Operating costs and image standards are two reasons more suppliers are telling their jobbers to get into electronic point-of-sale (POS) or get out of the fold. Some companies have made POS mandatory on new branded contracts and other companies are sweetening automation packages to encourage more jobber participation.

Texaco told its jobbers last year that POS is compulsory. Some contracts expire at the end of June and jobbers will be forced to take on POS or debrand, officials say, adding that modernization and Texaco's emphasis on image are reasons.

Diamond Shamrock decided to mandate POS at its jobber locations in late 1988 and completed the change in the first quarter of 1989—roughly 650 company-ops and 1,300 jobber locations. "We don't feel we've asked jobbers to do anything detrimental to their business," says Ken Floyd, vice president of wholesale marketing for Diamond Shamrock. Floyd adds that for the most part jobber acceptance has been positive. "I visited four large jobberships in Texas recently and jokingly asked what they would do if their POS equipment were taken away and they said they'd kill."

The general POS package majors have been assembling usually range from relatively inexpensive card-swipe devices to complicated, high-end electronic cash register, pump control and data processing devices. Jobbers usually lease the package for a monthly fee (generally $50 to $100) or buy the equipment ($550 to $8,000 per site). In either case, transaction fees may also be involved. In Diamond Shamrock's case, rural areas can cost 14¢/transaction, denser areas 10-10.5¢/transaction and metropolitan areas 9¢/transaction.

Majors mandating POS generally tout the pluses jobbers receive from automation. Among these are the elimination of chargebacks, the easing of customer relations, because blame for a "no sale" or credit rejection can often be put on some distant computer, and quicker account credit for jobbers on credit card purchases.

For the majors, it's a matter of dollars and cents. Those companies, like Phillips, that operate their own credit card centers find it costly to handle paper. Electronic transactions are cheaper. Other major oil company executives say image is an important factor. "The customer isn't given very much credit when the oil company moves to POS, but (the customers) are the ones who are really driving the push." One marketing vice president says customers expect the quick, automated credit card transaction. Sales records are printed legibly and transactions take mere seconds.

Companies like Mobil and Conoco are continuing to offer programs on a voluntary basis, but stress the benefits of joining the system. Conoco reportedly switched fee structures, charging a $55 flat fee versus a per transaction fee. The move reportedly saves a jobber money.

Overall, jobber reaction appears to be passive. While oil companies admit a small percentage of jobbers are complaining about the high costs of hardware and other POS-related expenses, most appear to accept the moves. Officials with the Petroleum Marketers Assn. of America (PMAA) say too that they have received few complaints over recent POS requirements from its membership.

Tom West with the National Assn. of Texaco Wholesalers confirms a general acceptance of Texaco's POS mandates among jobbers, saying that many NATW members were eager to get the automation package. West says there was more complaining over the moves to POS three or four years ago, when the thought of handing over electronic access to bank accounts was a fear many jobbers harbored.

The problem today, according to West, is with jobbers who have spent quite a bit of money installing their own equipment. Since the equipment doesn't match up with Texaco specs, software programs will have to be written to make the equipment compatible. But West believes Texaco officials will accept that task.

—by Angel Abcede

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

December	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.030	$0.961	$0.980	$1.170
Regions				
Northeast	1.087	1.048	1.009	1.229
North Central	1.020	0.977	0.986	1.175
South	1.021	0.995	0.963	1.129
West	1.001	0.933	0.970	1.176

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	2/2/90	2/3/89
Gasoline (Total)	231,425	243,877
Gasoline (Unleaded)*	174,107	161,272
Jet Kerosine	37,219	37,911
Distillates	121,005	117,360
Residual	50,116	45,573

**Included in gasoline total.*

Source: American Petroleum Institute.